



CHESTER J. CULVER  
GOVERNOR

## OFFICE OF THE GOVERNOR

PATTY JUDGE  
LT. GOVERNOR

March 17, 2010

Thomas L Aller  
President  
Interstate Power and Light  
200 First Street SE  
PO Box 351  
Cedar Rapids, IA 52406-0351

Dear Mr. Aller:

I am writing to request that Interstate Power and Light (IPL) delay any implementation of its recently announced and very substantial electricity-rate increase request until such time as the public is given a full and reasonable opportunity to be heard on the matter in a proceeding before the Iowa Utilities Board (IUB).

According to information recently distributed by your company to Iowa consumers, IPL intends to impose interim rates effective March 20, to be followed by increases for residential customers that will total approximately 12 to 18 percent.

I make this request for two reasons. First, the company's decision to impose immediate rate increases, prior to the public's ability to weigh-in on the matter at a public hearing, is not required by law, but is merely an option that the company has chosen to take. Second, the sudden rate increases come at a time when many of IPL's customers are already struggling to cope with difficult economic conditions.

Prior to my taking office as Iowa's Governor, state law was changed, under Iowa Code Section 476.10, to alter the longstanding requirement that *any* utility rate increases be allowed *only* after public hearings were held in front of the Iowa Utilities Board. Now, at its sole and exclusive option, a utility company may *unilaterally* impose temporary rate increases, upon providing little advance notice to consumers, and subject only to full public hearings that are held many months after those consumers have been required to begin paying those increases.

Whatever merit such a law change may have appeared to have had at the time it was made, it is clear to me that in these difficult recessionary times your company's decision to initiate sudden rate increases will impose substantial hardships on citizens, large and small businesses, school districts, cities and state government agencies, all of whom are attempting to balance budgets under difficult circumstances, and many of whom are just barely scraping by.

The fact that some part of your company's announced increased rates may ultimately be refunded back to consumers after the IUB actually considers all of the evidence presented at public hearings, months from now, is of little solace to citizens who must, in the meantime, pay those increased rates.

In the midst of a very troubled economy, many Iowans are struggling to pay for expenses, trying to make ends meet, hoping to keep their jobs, and looking for new jobs due to layoffs. Although there are some early signs of an economic recovery, too few active wage earners or business owners are seeing their incomes go up. Many senior citizens have had their incomes frozen at current levels when customary first-of-the-year cost-of-living increases were canceled. Expenses in healthcare insurance and related services for all Iowans continue to go up.

Similarly, many cities and school districts, entities that often experience the brunt of economic downturns later than businesses and consumers, are now deeply troubled in their efforts to balance their needs to meet their bottom lines while also providing the public with essential services.

To assure that a balanced state budget is maintained while continuing to assure that core state government programs are continued, I cut my own pay by ten percent and I have directed our state government's highest executives to do likewise. Thousands of state employees have been ordered to take furlough days. Those employees who are represented by collective bargaining units have, for the first time in Iowa's history, in this fiscal year, agreed to the terms and conditions of a Memorandum of Understanding under which they have saved jobs by taking furlough days and, in effect, reducing their own pay.

In contrast to these private and public sector belt-tightening efforts, IPL's notice to its customers that it intends *immediately* to impose rate *increases* ranging from 12 to 18 percent—without *any* prior opportunity for those adversely affected consumers to be heard on the matter—is particularly jarring.

It is clear that increased electric rates imposed by IPL will not be reflected just on utility bills, but also in the price of a gallon of milk and other products that consumers pay for, and, ultimately, in property taxes that government jurisdictions will be required to charge to cover the increased costs.

Many Iowans may well question whether substantial increases in IPL's rates are merited so soon after other rate increases were granted to IPL. They may wonder, for example, whether your company's own executives and shareholders have been required to impose the economic discipline that Iowa households, businesses, school districts and governmental agencies are required to bear in the current economic climate. They may

question why the proposed substantial rate increases are necessary when the costs of coal and natural gas that IPL uses to generate electricity are not going up.

IPL's customers may have inquiries as to why the electricity supplied by your company is substantially more expensive than the exact same product sold by MidAmerican Energy—Iowa's only other large investor-owned utility company—and by many smaller municipally-owned utility companies. And, insofar as the rules allow only a truncated paper debate on the IPL's temporary rate increase request, most of these issues will not be allowed to be raised during the very short 90-day window that the IUB is allowed under the filing option which your company has chosen to exercise.

Of course, IPL may have answers to these, and all other, questions that its customers may pose. But, the only way that IPL's ratepayers will know for sure is if they have a full and fair opportunity to be heard and if they have chance to consider all of the information that is offered in support of and against the company's proposed substantial rate increase. If IPL continues on its present course, the public will not have any opportunity to weigh-in on this double-digit rate increase until a full hearing on the matter is scheduled—presumably, sometime this fall.

Because the customers served by IPL have not yet had any opportunity to be heard as to whether your company's requested double-digit rate increases are justified, I ask that you alter your unilateral decision to impose electric rate increases immediately.

For all of these reasons, I look forward to hearing from you that IPL will reconsider its announced course of action and, instead, will not impose its proposed rate increases until such time as Iowans have had a full and fair opportunity to be heard, until such time as Iowa's Consumer Advocate and ratepayers have been able to analyze the request, and until such time as the IUB has made a determination on the matter, based on all of the evidence presented to it at a public hearing.

Sincerely,

A handwritten signature in black ink, appearing to read "Chester J. Culver", with a long, sweeping horizontal line extending to the right.

Chester J. Culver  
Governor of Iowa